

Message Text

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ACTION TRSE-00

INFO OCT-01 EA-11 ISO-00 NEA-14 IO-14 SP-03 AID-20 EB-11

NSC-07 RSC-01 CIEP-03 SS-20 STR-08 OMB-01 CEA-02 L-03

H-03 PA-04 PRS-01 USIA-15 CIAE-00 COME-00 FRB-03

INR-11 NSAE-00 XMB-07 OPIC-12 LAB-06 SIL-01 AGR-20

PC-10 DRC-01 /213 W

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R 300825Z SEP 74

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 7245

LIMITED OFFICIAL USE SECTION 1 OF 2 MANILA 11681

USADB

FOR NAC AGENCIES

E.O. 11652: DECLASS 12/31/74

TAGS: EAID, EFIN, RP

SUBJECT: PROPOSED ADB TECHNICAL ASSISTANCE (TA) GRANT TO
PHILIPPINES FOR ILOILO INTEGRATED DEVELOPMENT PROJECT

SUMMARY: ADB MANAGEMENT PROPOSES \$300,000 GRANT TO GOVT
OF PHILIPPINES TO FINANCE FOREX COST OF FOREIGN CONSULTANTS
TO FORMULATE UP TO RECONNAISSANCE LEVEL AN OVERALL PLAN
FOR SOCIO-ECONOMIC DEVELOPMENT OF THE PROVINCE ON ILOILO
ON PANAY ISLAND AND TO PREPARE TO FEASIBILITY LEVEL FOR
POSSIBLE BANK FINANCING, AN INITIAL PACKAGE OF PROJECTS
WITHIN THE PLAN FRAMEWORK FOR EARLY IMPLEMENTATION.
USADB RECOMMENDS FAVORABLE NAC ACTION.

1. ADB DOC R90-74 WITH ATTACHMENTS DESCRIBING PROPOSED
GRANT POUCHED ADDRESSEES SEPT. 16. BOARD CONSIDERATION
SCHEDULED OCTOBER 8.

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2. ADB MANAGEMENT PROPOSING \$300,000 GRANT TO PHILIPPINES. PROCEEDS WILL FINANCE FOREX COST FOREIGN CONSULTANTS TO ESTABLISH PROVINCE-WIDE DEVELOPMENT PLAN AND IDENTIFY COMPONENT PRIORITY PROJECTS FOR IMPLEMENTATION AS FIRST PHASE OF PROVINCIAL DEVELOPMENT PROJECT.

3. GOVT OF PHILIPPINES (GOP) IS ACCORDING HIGHEST PRIORITY TO AGRICULTURAL SECTOR DEVELOPMENT THROUGH INTENSIFICATION OF FOOD PRODUCTION, EXPANSION OF AGRICULTURAL EXPORTS AND IMPLEMENTATION LAND REFORM. A POLICY APPROACH RECENTLY ADOPTED FOR THIS SECTOR IS ONE OF INTEGRATED AREA DEVELOPMENT, COMBINING PHYSICAL, ECONOMIC, SOCIAL AND FINANCIAL ASPECTS INTO A COMMON PLANFRAME FOR A GIVEN AREA, TO THEREBY ATTAIN A SET OF DEVELOPMENT GOALS.

4. ALTHOUGH PHILIPPINES HAS ENJOYED IN PAST FEW YEARS RAPID GNP INCREASE AND INCREASING INVESTMENT RATES (I.E., 1973 GROSS DOMESTIC CAPITAL FORMATION WAS 18.7 PERCENT OF GDP); RISING TAX CUSTOMS REVENUES; AND A FAVORABLE TRADE BALANCE, PRICE INCREASES - ESPECIALLY FOR CONSUMER GOODS - HAVE ACCELERATED WITH PARTICULAR IMPACT ON LOW MIDDLE INCOME GROUPS. INFLATION TOGETHER WITH HIGH UNEMPLOYMENT, RAPID POPULATION GROWTH, INADEQUATE INFRASTRUCTURE AND LOW AGRICULTURAL PRODUCTIVITY, HAS ACCENTUATED WIDE INCOME DISPARITIES BETWEEN GROUPS AND REGIONS, WITH ADVERSE SOCIAL REPERCUSSIONS. WITH AGRICULTURE CONTINUING AS MOST IMPORTANT SECTOR (1/3 OF NET DOMESTIC PRODUCT AND 1/2 TOTAL EMPLOYMENT) AND AGRO-BASED COMMODITIES ACCOUNTING FOR 70 PERCENT OF EXPORT EARNINGS, GOP IS SEEKING TO ATTAIN SELF-SUFFICIENCY IN CEREAL GRAINS, EXPANDED EXPORTS, SPEED UP OF AGRARIAN REFORM AND CONSERVATION OF NATURAL RESOURCES.

5. GOP HAS THEREFORE ADOPTED INTEGRATED AREA DEVELOPMENT APPROACH TO PROVIDE IN MANAGEABLE PACKAGE WITHIN A PARTICULAR AREA, AN ARRAY OF INVESTMENTS (IRRIGATION STRUCTURES, ROADS) IMPROVED SERVICES (LAND REFORMS, CREDIT, AGRICULTURAL TRAINING AND EXTENSION) AND REQUIRED INPUTS (IMPROVED SEEDS, FERTILIZER, INSECTICIDES) TO OPTIMIZE POTENTIAL OF "GREEN REVOLUTION" TECHNOLOGY. LIMITED OFFICIAL USE

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AIM IS TO INCREASE INCOME AND IMPROVE ITS DISTRIBUTION; OBTAIN MORE BALANCED REGIONAL DEVELOPMENT BY CONCENTRATING ON EXTENSION AND REHABILITATION OF IRRIGABLE AREAS AND IMPROVED WATER MANAGEMENT.

6. ILOILO PROVINCE IS ONE AREA SELECTED FOR INTEGRATED DEVELOPMENT IN WESTERN VISAYAS HAVING TOTAL AREA 532,397 HA. AND POPULATION (1970) ESTIMATED AT 1.2 MILLION.

ROLLING TOPOGRAPHY AND STEEP GRADIENTS IN WATERSHEDS, COUPLED WITH SHIFTING CULTIVATION AND ABANDONMENT OF OPEN LANDS AFTER CLEARING, HAS DAMAGED WATERSHED AREAS BY INCREASING EROSION AND FLOODING FROM HIGH ANNUAL RAINFALL (AVG 90 INCHES/YR) CONCENTRATED IN 7-MONTH RAINY SEASON. REMAINING FOREST COVER ONLY 6 PERCENT OF ESTIMATED 100,000 HA. FOREST RESERVES. MAIN CROPS IN REGION ARE RICE, SUGAR AND COCONUTS.

7. 30,000 HA. OF 333,479 HA. NOW UNDER CULTIVATION RECEIVE WATER BY PUMP OR GRAVITY FLOW BUT MOSTLY THROUGH 40-YEAR OLD SYSTEMS IN DISREPAIR; CANAL EMBANKMENTS HAVE BEEN IMPROPERLY USED AS FEEDER ROADS; DRAINAGE PROBLEMS EXIST, FLOODING DAMAGE OCCURS. ALSO, SOME REFORESTATION HAS BEGUN IN 3 MAJOR WATERSHED AREAS BUT SCHEME LACKS PLANNING AND CONTINUITY. MOST OF 1200 KM. ROADS IN PROVINCE IN POOR CONDITION; NATIONAL EAST - WEST HIGHWAY ALSO NEEDS REPAIR; 30 PERCENT OF PROVINCE LACKS ANY FARM TO MARKET ROADS WITH RESULTING PRODUCTION CONSTRAINT. PROVINCE HAS 120 KM. RAILWAY FROM ILOILO CITY TO ROXAS CITY IN ADJACENT CAPIZ PROVINCE. ILOILO CITY AND JORDAN HAVE PORTS USED FOR INTER-ISLAND SHIPPING. SULLIVAN

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PC-10 DRC-01 /213 W

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 7246

LIMITED OFFICIAL USE SECTION 2 OF 2 MANILA 11681

USADB

FOR NAC AGENCIES

E.O. 11652: DECLASS 12/31/74

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SUBJECT: PROPOSED ADB TECHNICAL ASSISTANCE (TA) GRANT TO
PHILIPPINES FOR ILOILO INTEGRATED DEVELOPMENT PROJECT

ILOILO CITY HAS 7360 KW GENERATION CAPACITY WHILE
BALANCE OF PROVINCE ONLY HAS 1467 KW. 31 PERCENT OF
PROVINCIAL POPULATION, MOSTLY IN CITIES, SERVED BY
POTABLE WATER SUPPLY; NO PUBLIC SEWERAGE. SANITATION
AND PUBLIC HEALTH FACILITIES POOR, 88 PERCENT SCHOOL
CHILDREN PARASIT-INFESTED.

8. GOP ORIGINALLY PROPOSED AN INTERGRATED AREA DEVELOP-
MENT PROJECT FOR ILOILO COMPRISED OF IRRIGATION - 24,200
HECTARES; FARM-TO-MARKET ROADS - 1000 KM. NEW AND 375 KM.
TO BE IMPROVED; REFORESTATION - 10,000 HA; A GROUNDWATER
STUDY; AND JALAU RIVER TRANSBASIN MULTIPURPOSE PROJECT
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STUDY. ORIGINAL COST OF IMPLEMENTING ABOVE PROJECT WAS
ESTIMATED AT ABOUT \$26 MILLION OF WHICH \$11 MILLION
WOULD BE FOREX.

9. HOWEVER BANK FACT-FINDING MISSION FOLLOWED BY
DISCUSSIONS IN MANILA WITH VARIOUS RELEVANT AGENCIES
(NATIONAL ECONOMIC AND DEVELOPMENT AUTHORITY (NEDA);
DEPT OF AGRARIAN REFORM (DAR); NATIONAL IRRIGATION ADMIN-
ISTRATION (NIA) AND DEPT OF PUBLIC WORKS (DPW), CONCLUDED
THAT THE ORIGINAL PLAN NEEDED TO BE REVISED AND EXPANDED
TO INCLUDE ATTENTION TO A WIDER RANGE OF SERVICES, I.E.,
EXTENSION, CREDIT, COOPERATIVES, ETC. NEEDED BY LOW
INCOME FARMERS TO IMPROVE THEIR OUTPUT AND EARNINGS. THE
SUBJECT TA WAS THEN PROPOSED BY THE BANK'S MISSION TO
FORMULATE AN INTEGRATED AREA DEVELOPMENT PROJECT.

10. LAND REFORM, AIMING TO TRANSFER OWNERSHIP OF RICE
AND CORN LAND TO TENANTS, PROCEEDING SLOWLY, WITH ONLY 30
PERCENT OF TENANTS HAVING RECEIVED LAND TRANSFER CERTI-
FICATES; UNCERTAINTY EXISTS RE FUTURE GOVT POLICY,
ESPECIALLY RE LOWER LIMIT ON SIZE OF HOLDINGS TO BE DIS-
TRIBUTED, AND ALSO, DISSATISFACTION WITH INTERIM PROGRAM
OF WRITTEN LEASEHOLD AGREEMENTS, LARGELY CONSIDERED UN-
SATISFACTORY BY FARMERS; GOVT DATA ON TENANCY INCIDENCE
HAS DISCREPANCIES.

11. ACCORDINGLY, PROPOSED AREA CONSIDERED TO HAVE DEVELOPMENT POTENTIAL THROUGH REHAB OF EXISTING IRRIGATION SYSTEMS; IMPROVE SUPPLY OF FARM INPUTS; PROVIDING AND UPGRADING SOCIAL INFRASTRUCTURE AND SERVICES (RURAL HEALTH, FAMILY PLANNING, NUTRITION, WATER SUPPLY); AND INSTITUTIONAL IMPROVEMENTS IN IMPLEMENTING LAND REFORM, AGRICULTURAL TRAINING AND EXTENSION, RURAL CREDIT, RELATED AREAS.

12. SELECTION OF ABOVE COMPONENTS FOR PRIORITY AND PHASING, AND RELATION OF EACH TO PROVINCE-WIDE GOALS TO BE DETERMINED BY PROPOSED TA, WITH ULTIMATE CONSIDERATION BY BANK FOR FINANCING. CONSULTANTS TASK TO INCLUDE FORMULATION OF MASTER PLAN FOR PROVINCE-WIDE DEVELOPMENT WITH IDENTIFICATION POSSIBLE INVESTMENT SCHEMES; ORDER LIMITED OFFICIAL USE

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OF PRIORITY AND PHASING. ALSO, CONSULTANTS TO COMPLETE FEASIBILITY STUDY OF FIRST PACKAGE OF PRIORITY COMPONENTS RECOMMENDED FOR EARLY IMPLEMENTATION, WITH FIRST PHASE LIKELY TO INCLUDE REHAB OF EXISTING IRRIGATION SYSTEMS, FARM-TO-MARKET ROADS, NEW IRRIGATION SYSTEMS, WATERSHED PROTECTION, FARM INPUT PROVISIONS, SOCIAL INFRASTRUCTURE AND SUPPORTING SERVICES.

13. CONSULTANTS ALSO TO RECOMMEND RE INSTITUTIONAL AND MANAGERIAL ASPECTS OF PROPOSED PROJECT IMPLEMENTATION, INCLUDING NEED FOR FOLLOW-ON CONSULTANT SERVICES, TRAINING OF COUNTER PARTS. ESTIMATED 40 MAN/MONTHS CONSULTANCY REQUIRED FOR PROJECT IN MAIN DISCIPLINES OF AREA DEVELOPMENT, IRRIGATION, ROAD ENGINEERING, AGRONOMY AND AGRICULTURAL ECONOMICS, WITH SHORT PERIODS OF SUPPLEMENTATION TO FOREIGN CONSULTANT TEAM IN SUCH FIELDS AS AGRO-INDUSTRIES, LIVESTOCK AND SOCIAL DEVELOPMENT. CONSULTANTS TO PREPARE INTERIM REPORT AFTER 6 WEEKS TO BE REVIEWED BY BANK AND GOP; FINAL REPORT AFTER 8 MONTHS.

14. GOVT DEPT OF AGRARIAN REFORM (DAR) TO BE EXECUTING AGENCY FOR TA, WILL NAME PROJECT MANAGER AND STAFF WHICH WILL FUNCTION UNDER SUPERVISION OF INTER-AGENCY PROJECT COMMITTEE REPORTING IN TURN TO CENTRAL GOVT CABINET COORDINATING COMMITTEE ON INTERGRATED AREA DEVELOPMENT. DAR WILL SIMULTANEOUSLY RECEIVE AID FROM UNDP/FAO TO STRENGTHEN ITS PLANNING SERVICES. IT SHOULD BE NOTED THAT ILOILO PROVINCIAL GOVT, ALTHOUGH CONSULTED BY BANK'S FACT FINDING MISSION, APPEARS TO BE EXCLUDED FROM IMPLEMENTING ROLE IN TA.

15. DEPT OF AGRICULTURE AND NATURAL RESOURCES (DANR) HAS

FORMULATED SIMILAR INTEGRATED AREA DEVELOPMENT PROJECT IN MINDORO, PROPOSED FOR IBRD FINANCING. VARIOUS BILATERAL DONORS IN VARIOUS STAGES OF NEGOTIATION TO ASSIST SIX OTHER INTEGRATED AREA PROJECTS INCLUDE: USAID - BICOL RIVER BASIN; OECF (JAPAN) - CAGAYAN VALLEY; UK - COTABATO-AGUSAN BASIN; IBRD - LANA O; USAID - SAMAR LEYTE; AND AUSTRALIA -ZAMBOANGA DEL SUR.

16. FOREX COST OF STUDY WHICH BANK PROPOSES TO FINANCE LIMITED OFFICIAL USE

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ESTIMATED AT \$300,000. IF BANKABLE PROJECT FORMULATED AND RESULTS IN BANK LOAN, AMOUNT OF TA EXCEEDING \$100,000 WILL BE INCORPORATED IN LOAN.

17. U.S. MISSION MANILA PREPARING COMMENTS FOR NAC AGENCIES, INFO USADB, PURSUANT TO STATE 119795 DTD 3 JULY 1972.
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Message Attributes

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